

State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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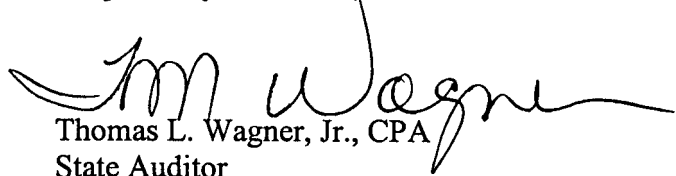
May 18, 2001

The Honorable Jim Hodges, Governor
and
Members of the Board
South Carolina State Board for Technical
and Comprehensive Education
Columbia, South Carolina

This report on the application of agreed-upon procedures to the accounting records of the South Carolina State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2000, was issued by Scott McElveen, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

South Carolina State Board
for Technical and Comprehensive Education

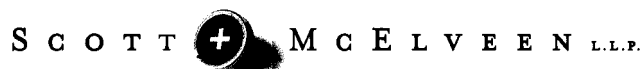
Columbia, South Carolina

Report on Agreed-Upon Procedures

for the year ended June 30, 2000

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Thomas L. Wagner, Jr., CPA,
 State Auditor
 State of South Carolina
 Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina State Board for Technical and Comprehensive Education (the "Agency") and the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 2000 in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

1. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested selected recorded receipts to determine if these receipts were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if the recorded revenues were in agreement. We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We compared current year recorded revenues from sources other than State General Fund appropriations to those of the prior year to determine the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Comment 2 of the Accountants' Comments section of this report.

CERTIFIED PUBLIC ACCOUNTANTS

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2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Agency, and were paid in conformity with State laws and regulations and internal controls over the tested disbursement transactions were adequate. We also tested selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in STARS as reflected on the Comptroller General's reports to determine if recorded expenditures were in agreement. We compared current year expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
3. We tested selected recorded payroll disbursements to determine if the tested payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements; and internal controls over the tested payroll transactions were adequate. We tested selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS. We also tested payroll transactions for selected new employees and those who terminated employment to determine if internal controls over these transactions were adequate. We compared amounts recorded in the general ledger and subsidiary ledgers to those in STARS as reflected on the Comptroller General's reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year payroll expenditures to those of the prior year; comparing the percentage change in personal service expenditures to the percentage change in employer contributions; and comparing the percentage distribution of recorded fringe benefit expenditures by fund source to the percentage distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented as Comment 1 in the Accountants' Comments section of this report.
4. We tested selected recorded journal entries, operating transfers, and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The journal entries, operating transfers, and appropriation transfers selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

5. We tested selected entries and monthly totals in the subsidiary records of the Agency to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained all monthly reconciliations prepared by the Agency for the year ended June 30, 2000 and tested selected reconciliations of balances in the Agency's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the Agency's general ledger, agreed the applicable amounts to the STARS reports, determined if the reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Agency's accounting records and/or in STARS. The reconciliations selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
7. We tested the Agency's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2000. Our findings as a result of these procedures are presented in Comments 1 and 2 in the Accountants' Comments section of this report.
8. We obtained copies of all closing packages as of and for the year ended June 30, 2000, prepared by the Agency and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; the amounts were reasonable; and they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
9. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2000 prepared by the Agency and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; the amounts were reasonable; and they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Agency's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, South Carolina Office of the State Auditor and the governing body and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
April 27, 2001

Accountants' Comments

Accountants' Comments

We noted the following matters during our engagement:

1. FINAL PAY CALCULATION

In our test of ten employees who terminated employment with the Agency, we noted that the final payment for one employee included an overpayment of \$500. We noted that the components of the calculation were correct; however, the amounts were not footed properly and the incorrect final pay calculation was used. While the Agency does have procedures in place to review payroll, the reviewer does not recalculate each employee's pay for accuracy.

An effective accounting system includes control procedures to ensure proper valuation of transactions and proper recording of transactions. In addition, SC Code of Laws Section 8-11-30 prohibits an employer from paying salary/wages not due and a person from receiving pay not due.

We recommend that the Agency attempt to recover the overpayment of \$500. We also recommend the Agency expand its written procedures to ensure that the final pay is calculated correctly. We also recommend that all computations for termination pay (e.g., pay rate, hours worked in the final pay period, balance of unused leave) used in the calculations be independently traced to the supporting documentation and be adequately reviewed by a responsible supervisory employee.

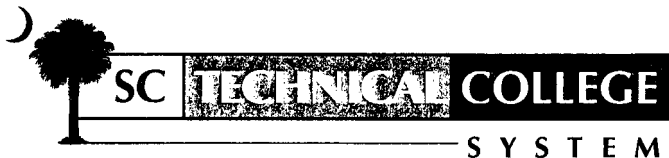
2. RECEIPTS

We selected 25 deposit transactions for testing. For 7 of our 25 selections, 9 to 11 days elapsed between the receipt of the funds and their deposit. The cause of the untimely deposits is unknown.

State Law requires timely deposit of receipts, at least once each week, under the annual Appropriation Act proviso. This requirement is included in Proviso 72.1 of the 1999 - 2000 Act.

We recommend that the Agency take steps to ensure timely deposit of receipts.

Management's Response



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James L. Hudgins
Executive Director

June 11, 2001

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Superintendent of Education
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Charles S. Way, Jr.
Secretary of Commerce
Ex Officio

Ms. Deanna Waybright
Scott McElveen, LLP
1441 Main Street, Suite 1200
PO Box 8388
Columbia, South Carolina 29202

Dear Deanna:

The Report on Agreed upon Procedures including the Accountants' Comments for this agency for FY 1999/2000 has been reviewed by our Management. The following are our responses:

1. Final Pay Calculation

The agency concurs with the noting of an error made in a final pay calculation. This was referenced in items 3 and 7 of the report. We will promptly initiate action to recover the overpayment and also implement the expanded procedures and supervisor review recommended in the comments.

2. Receipts

The agency agrees with the recommendation for making timely deposits. This was referenced in items 1 and 7 of the report. We have begun procedures to prevent this oversight and make deposits at least weekly.

We appreciate your cooperation and assistance and the highly professional manner of your firm.

Sincerely,

Richard L. Williams
Director of Administrative Services

RLW/kd